

Retailers and servicemen are not required to accept Manufacturer's Purchase Credit certifications after sales have taken place and the appropriate tax has been paid. See 86 Ill. Adm. Code 130.331. (This is a GIL.)

December 8, 1998

Dear Mr. Xxxxx:

This letter is in response to your letter dated August 6, 1998. We regret the delay in our response. The nature of your letter and the information you have provided require that we respond with a General Information Letter which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

In several instances manufacturers have paid sales tax to vendors when the MPC should have been used to offset the State sales tax. Are these manufacturers allowed to ask the vendors for a refund of the State sales tax on these overpayments? In all cases the manufacturers have ample MPC earned and the items purchased qualify for the MPC used.

If you have any questions, please call me at ####. Thank you for your help.

For your information, we have enclosed a copy of 86 Ill. Adm. Code 130.331, which is the Department's regulation for Manufacturer's Purchase Credit (MPC). Manufacturer's Purchase Credit may be used to satisfy a manufacturer's or graphic arts producer's State Use Tax or Service Use Tax liability on the purchase of production related tangible personal property. Please note that this credit can be applied only to the 6.25% State rate of tax incurred. At the time of such a purchase of production related tangible personal property from a retailer or serviceman, a manufacturer or graphic arts producer must decide whether to satisfy his or her State Use Tax or Service Use Tax liability through the use of accumulated MPC or instead pay his or her State Use Tax or Service Use Tax liability on that purchase.

Manufacturers and graphic arts producers use accumulated MPC by providing the retailer or serviceman with an ST-16-C Manufacturer's Purchase Credit Certificate or by incorporating such certification into the manufacturer's or graphic arts producer's purchase order. See Section 130.331(f).

Manufacturers or graphic arts producers that do not use their MPC at the time of a qualifying purchase from a retailer or serviceman must pay their Use

Tax or Service Use Tax liability at that time to that retailer or serviceman. Retailers and servicemen are not required to accept MPC certifications (either through ST-16-Cs or purchase orders) after the sales have taken place and the appropriate tax has been paid. Likewise, retailers and servicemen are not required to give refunds of tax properly paid by a customer in exchange for such certifications. The Department believes that it does not have the statutory authority to prohibit retailers and servicemen from accepting such certifications or purchase orders after such qualifying sales have taken place. If retailers and servicemen choose to accept such certifications or purchase orders and refund the tax paid by those purchasers, those transactions should be reported on the Form ST-1 for the period in which the refund occurred. Please note that such refunds can only be for the 6.25% State rate of tax incurred.

I hope this information is helpful. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Martha P. Mote
Associate Counsel

MPM:msk
Encl.